

## Message Text

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ACTION STR-04

INFO OCT-01 ARA-06 IO-13 ISO-00 STRE-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 6765

INFO USDEL MTN GENEVA

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PASS STR FOR AMBASSADOR YEUTTER

E.O. 11652: N/A

TAGS: ETRD, AR

SUBJECT: MULTILATERAL TRADE NEGOTIATIONS - COUNTRY PROFILES ON  
SELECTED PARTICIPANTS - ARGENTINA

REF: (A) STATE 181868, (B) STATE 177351, (C) STATE 195656,  
(D) STATE 186129, (E) BA-5313

1. THERE FOLLOWS PER REFTELS (A) AND (E), SECTIONS 2, 3 AND  
ANNEXES A AND B OF COUNTRY PROFILES.

2. ECONOMIC AND POLITICAL BASIS FOR ARGENTINA'S MTN APPROACH:  
THE MILITARY COUP WHICH TOOK PLACE IN ARGENTINA IN  
MARCH 1976 HAS LED TO SIGNIFICANT CHANGES IN DOMESTIC ECONOMIC  
POLICIES. THE PERONIST GOVERNMENT, WHICH RULED ARGENTINA FROM MAY  
1973 UNTIL MARCH 1976, PURSUED UNORTHODOX POPULIST ECONOMIC POLI-  
CIES WITH HEAVY EMPHASIS ON INCOME REDISTRIBUTION, PRICE CONTROLS  
AND STATE INTERVENTION IN THE ECONOMY. THESE POLICIES BY MARCH  
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1976 HAD BROUGHT ARGENTINA TO THE VERGE OF BANKRUPTCY. THE MILITARY

GOVERNMENT HAS CHOSEN INSTEAD TO FOLLOW A FREE MARKET, EXPORT ORIENTED ECONOMIC POLICY.

3. IMMEDIATE EMPHASIS IS ON REBUILDING THE DOMESTIC ECONOMY, WEAKENED BY INFLATION, MASSIVE BUDGET DEFICITS, DISTORTIONS CAUSED BY PRICE CONTROLS AND EMPTY FOREIGN EXCHANGE COFFERS. THE NEW MINISTER OF ECONOMY, JOSE MARTINEZ DE HOZ, HAS TO DATE CONCENTRATED HIS EFFORTS ON REDUCING INFLATION, WITH CONSIDERABLE SUCCESS, AND PULLING BACK ARGENTINA FROM THE BRINK OF A PAYMENTS MORATORIUM BY NEGOTIATING A RESCHEDULING OF ARGENTINA'S HEAVY FOREIGN DEBT BURDEN. THE LONG TERM SOLUTION CHOSEN BY THE GOA TO THE BALANCE OF PAYMENTS PROBLEM LIES IN THE AREA OF STIMULATION OF EXPORTS OF AGRICULTURAL AND AGRO-INDUSTRIAL PRODUCTS.

4. ON THE POLITICAL SIDE THE MOST IMMEDIATE CHALLENGE IS THE SUPPRESSION OF THE GUERRILLA MOVEMENT WHICH HAS PLAGUED LIFE IN ARGENTINA SINCE 1973. DESPITE SOLID SUCCESS BY THE ARMED FORCES IN THIS AREA, MUCH REMAINS TO BE DONE.

5. THE GOVERNMENT CONSIDERS ITSELF IN STATE OF EMERGENCY AND ITS ENERGIES ARE FOCUSED ON THE SOLUTION OF MAJOR MACROECONOMIC PROBLEMS AND THE PROBLEM OF INTERNAL SUBVERSION. WE DOUBT THAT OFFICIALS AT THE HIGHER LEVELS OF THE MINISTRY OF ECONOMY OR POLITICAL LEADERS WITHIN THE MILITARY HAVE GIVEN MUCH THOUGHT TO THE MULTILATERAL TRADE NEGOTIATIONS IN GENEVA SINCE THEY TOOK OVER FIVE MONTHS AGO.

6. WORK ON THE MTN NEVERTHELESS CONTINUES AT THE MIDDLE LEVELS OF THE FOREIGN MINISTRY AND THE SECRETARIAT OF COMMERCE. THE TECHNICIANS WORKING ON THE MTN ARE BY AND LARGE THE SAME ONES WHO WORKED ON THIS PROBLEM UNDER THE PREVIOUS GOVERNMENT. THERE IS PROBABLY STILL A HANGOVER OF THE INTENSELY "THIRD WORLD", NATIONALIST TENDENCY DISPLAYED DURING THE PERONIST ERA BY THESE PEOPLE, THOUGH THE TONE IN OUR DEALINGS WITH THEM IS MUCH IMPROVED.

7. UNTIL THE TOP OFFICIALS HAVE A CHANCE TO FOCUS ON THE MTN, THERE IS LIKELY TO BE LITTLE CHANGE IN POLICIES, AT LEAST IN THIS AREA OF FOREIGN COMMERCIAL POLICY. IT IS ARGUABLE, IN FACT, THAT EVEN AFTER THEY FOCUS ON THE MTN THERE WILL BE LITTLE CHANGE IN SUBSTANCE.

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ARGENTINA REMAINS VERY MUCH IDENTIFIED WITH THE POINT OF VIEW OF THE LDC'S IN THESE NEGOTIATIONS, DESPITE THE FACT THAT HER CLAIM TO BE AN LDC IS SOMEWHAT TENUOUS. THIS IS EXPLAINED CHIEFLY BY THE GOA'S DESIRE FOR LDC SUPPORT IN HER DISPUTE WITH THE UK OVER THE MALVINAS (FALKLAND) ISLANDS. THE MALVINAS ISSUE IS HEAVILY LOADED EMOTIONALLY AND POLITICALLY IN ARGENTINA AND UNLIKELY TO COOL IN THE NEAR FUTURE. ARGENTINA CAN THEREFORE BE EXPECTED TO CONTINUE TO SEEK AS MUCH ADVANTAGE FROM THIS ASSOCIATION AS IT

CAN. IN ORDER TO DO SO, THE GOA WILL MAINTAIN AT THE LEAST A FACADE OF COOPERATION WITH OTHER LDC'S ON MTN ISSUES, EVEN THOUGH THERE IS MUCH LESS EMPHASIS AT THE GENERAL FOREIGN POLICY LEVEL ON IDENTIFICATION WITH THE THIRD WORLD THAN EXISTED UNDER THE PREVIOUS REGIME. IN GENERAL TERMS, ARGENTINA WILL CONTINUE TO INSIST THAT THE DECLARATION OF TOKYO MEANS THAT LDC'S NEED NOT BE BOUND BY THE NEGOTIATING RULES AGREED TO BETWEEN THE MAJOR TRADING POWERS, AND WILL EMPHASIZE THEIR RIGHT TO PRIVILEGED TREATMENT IN ALL ASPECTS OF THE MTN.

8. COUNTRY POLICIES AND MECHANISMS TO ACHIEVE TRADE OBJECTIVES: THE NEW GOVERNMENT SEEMS TO BELIEVE THAT ITS LONG TERM OBJECTIVES CAN BEST BE MET BY A LIBERALIZATION OF THE ECONOMY AND A REORIENTATION OF THEIR DEVELOPMENT PATTERN FROM IMPORT SUBSTITUTION TO EXPORT PROMOTION, PARTICULARLY OF AGRICULTURAL AND AGRO-INDUSTRIAL PRODUCTS, WHERE ARGENTINA HAS A COMPARATIVE ADVANTAGE IN WORLD TRADE. THIS LATTER ASPECT OF ECONOMIC POLICY IS ALREADY BEING IMPLEMENTED BY MEANS OF PRICE INCENTIVES AND LOWER EXPORT TAXES FOR AGRICULTURAL PRODUCERS. ALTHOUGH MARTINEZ DE HOZ HAS SPOKEN OF REDUCTION OF TARIFF LEVELS ON INDUSTRIAL IMPORTS, IT IS NOT LIKELY THAT THIS WILL COME BEFORE THE ECONOMY HAS FULLY RECOVERED FROM ITS CURRENT RECESSION AND THE SEVERE MEASURES WHICH HAVE BEEN NECESSARY TO STOP ARGENTINA'S SLIDE INTO ECONOMIC CHAOS.

9. THE TARIFF POLICY OF THE PAST 30 YEARS HAS HAD THE PRIMARY PURPOSE OF PROMOTING INDUSTRIAL DEVELOPMENT IN ARGENTINA. ACCORDINGLY, TARIFF LEVELS ON PRODUCTS WHICH CAN BE MANUFACTURED WHOLLY OR IN PART IN ARGENTINA ARE QUITE HIGH, AVERAGING APPROXIMATELY 80 PERCENT. NON-TARIFF BARRIERS HAVE CONSISTED LARGELY OF IMPORT PROHIBITIONS WHICH HAVE ENCOMPASSED MOST CONSUMER PRODUCTS, INCLUDING DURABLES. GOVERNMENT AGENCIES AND GOVERNMENT OWNED FIRMS HAVE ALSO BEEN OBLIGED TO PURCHASE AS MUCH OF THEIR REQUIRE-

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MENTS IN ARGENTINA AS HAS BEEN POSSIBLE, TO THE EXTENT OF THEIR INSISTING THAT LOCALLY MADE COMPONENTS BE INTEGRATED INTO IMPORTED MACHINERY AND EQUIPMENT.

10. THE EMPHASIS COULD CHANGE IN THE MEDIUM TERM IF MARTINEZ DE HOZ WERE SUCCESSFUL IN DEVELOPING AN EXPORT ORIENTED ECONOMY, BECAUSE GOA MIGHT THEN BE MORE WILLING TO LOWER TARIFFS AND ELIMINATE CERTAIN NTB'S IN THE INTEREST OF PROMOTING GREATER DOMESTIC INDUSTRIAL EFFICIENCY AND LOWERING THE COST OF LIVING FOR THE ARGENTINE CONSUMER. SOME EVIDENCE OF THIS HAS ALREADY APPEARED IN THE FORM OF ELIMINATION OF IMPORT PROHIBITION ON ALL BUT A FEW CATEGORIES OF CONSUMER GOODS.

11. AS THE WORLD'S MOST IMPORTANT EXPORT MARKET, THE UNITED STATES IS OBVIOUSLY OF GREAT INTEREST TO ARGENTINA. THE "TRADE CONCES-

SION", AS THE GOA SEES IT, WHICH ARGENTINA WOULD MOST LIKE TO RECEIVE FROM THE U.S., IS PERMISSION TO SHIP FRESH OR CHILLED BEEF TO THE US FROM AFTOSA FREE REGION IN THE PATAGONIA. OUR RESTRICTION ON SUCH IMPORTS FROM ARGENTINA ARE REGARDED BY MANY, IF NOT MOST, ARGENTINES AS NOTHING MORE THAN AN NTB. AS HAS BEEN INDICATED IN A NUMBER OF CONVERSATIONS WITH GOA OFFICIALS BOTH IN GENEVA AND IN BUENOS AIRES (SEE MTN GENEVA 2466 AND BA 4441), IF THE US WERE TO SHOW SOME WILLINGNESS TO GIVE ON THIS ISSUE, ARGENTINA WOULD UNDOUBTEDLY BE MUCH MORE SUPPORTIVE OF US POSITIONS AT THE MTN ACROSS THE BOARD.

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TO SECSTATE WASHDC PRIORITY 6766  
INFO USDEL MTN GENEVA

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12. THE ONLY OTHER BILATERAL TRADE ISSUE OF IMPORTANCE TO THE GOA, WHICH AFFECTS IMMEDIATE PROSPECTS FOR INCREASING EXPORT EARNINGS, ARE THE IMPORT RESTRICTIONS THE US HAS IMPOSED OR MAY IMPOSE ON ARGENTINA AS A RESULT OF TRADE ACT ESCAPE CLAUSE ACTIONS IN THE SPECIALTY STEEL AND HONEY CASES. THOUGH LESS THAN US\$10 MILLION PER ANNUM IN POTENTIAL EXPORTS TO THE US ARE AFFECTED, THE ARGENTINES SEE THESE MEASURES AS VERY UNHELPFUL IN THEIR PRESENT BALANCE OF PAYMENTS SITUATION.

13. MONETARY POLICY IS NOT PRESENTLY AN IMPORTANT INSTRUMENT OF THE GOA IN THE FOREIGN TRADE AREA. IT IS THE ANNOUNCED INTENTION OF THE MINISTRY OF ECONOMY TO ARRIVE AT A FREE EXCHANGE RATE IN A SERIES OF RELATIVELY SHORT STAGES. IN THE MEANTIME, WHILE THEY ARE MOVING IN THIS DIRECTION, THE LOCAL MONETARY AUTHORITIES ARE ATTEMPTING TO KEEP EXPORT PRICES FROM BEING OVERVALUED BY INFLATION.

14. PERHAPS THE MOST IMPORTANT RESULTS OF THE NEW ECONOMIC PROGRAM, IN TERMS OF FOREIGN COMMERCE, WILL BE THE PROMOTION OF AGRICULTURAL OUTPUT BY MEANS OF HIGHER PRICES TO PRODUCERS IN THE DOMESTIC MARKET, AND LOWER EXPORT TAXES ON THOSE PRODUCTS  
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EXPORTED. THIS POLICY REVERSES THE TREND OF THE PAST 30 YEARS IN WHICH AGRICULTURAL OUTPUT AND EXPORTS HAVE ACTUALLY BEEN DEPRESSED BY PRICE CONTROL POLICIES AND TAXES DESIGNED TO KEEP FOOD PRICES LOW IN ORDER TO SUBSIDIZE THE URBAN POPULATION. THE NEW POLICY COULD HAVE A SIGNIFICANT IMPACT ON WORLD WIDE AVAILABILITIES OF FOODSTUFFS PARTICULARLY GRAINS, OILS AND MEAT.

15. ANNEX A: KEY AGENCIES IN HOST COUNTRY'S TRADE POLICY FORMULATION PROCESS ARE: SECRETARIAT OF FOREIGN COMMERCE AND INTERNATIONAL TRADE NEGOTIATIONS (SECRETARIA DE COMERCIO EXTERIOR Y NEGOCIACIONES ECONOMICAS INTERNACIONALES), AND FOREIGN MINISTRY'S SUBSECRETARIAT OF INTERNATIONAL ECONOMIC AFFAIRS (SUBSECRETARIA DE RELACIONES ECONOMICAS INTERNACIONALES), MINISTER OF ECONOMY HIMSELF, OF COURSE, HAS THE FINAL WORD, BUT SECRETARIAT OF FOREIGN COMMERCE IS AGENCY WHICH HAS MOST INFLUENCE ON ARGENTINE TRADE POLICY. THERE IS ALSO A WORKING GROUP COMPOSED OF REPRESENTATIVES OF A NUMBER OF THE SECRETARIATS IN THE MINISTRY OF ECONOMY AND REPRESENTATIVES OF THE FOREIGN MINISTRY WHICH FUNCTIONS AS A CLEARING HOUSE ON TRADE POLICY MATTERS.

16. ANNEX B: WE LIST BELOW KEY PERSONNEL:

A) MINISTRY OF ECONOMY

AMBASSADOR ALBERTO ALFONSO FRAGUIO

SECRETARY

SECRETARIAT OF FOREIGN COMMERCE AND INTERNATIONAL TRADE NEGOTIATIONS.

SUBSECRETARY ENRIQUE OSVALDO BAUERLE

SUBSECRETARIAT OF INTERNATIONAL TRADE NEGOTIATIONS

MINISTER - COUNSELOR JOSE MELERO

DIRECTOR - OFFICE OF TREATIES AND NEGOTIATIONS

B) ARGENTINE REPRESENTATIVES MTN GENEVA

AMBASSADOR GABRIEL MARTINEZ

COUNSELOR JULIO CESAR RIMONDI

C) MINISTRY OF FOREIGN RELATIONS AND WORSHIP

SUBSECRETARY COMMODORE RAUL A. CURA

SUBSECRETARIAT OF INTERNATIONAL AND ECONOMIC AFFAIRS

MINISTER DIEGO FELIPE MEDUS, CHIEF,

DEPARTMENT OF NORTH AMERICA

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MINISTER EDUARDO E. PEREZ TOMAS  
DIRECTOR, OFFICE OF ECONOMIC AFFAIRS  
1ST SECRETARY  
JORGE HUGO HERRERA VEGAS, IN CHARGE OF  
DIVISION OF INTERNATIONAL COOPERATION

17 FOLLOWING IS LIST OF BA CABLES AND AIRGRAMS ON MTN SUBJECTS  
SENT DEPARTMENT SINCE MAY 74:

BA 3232, MAY 3, 1974  
BA 3788, MAY 23, 1974  
BA A-188, JUNE 3, 1974  
BA A-21, JULY 10, 1974  
BA A-270, AUG 26, 1974  
BA A-346, OCT 30, 1974  
BA A-76, APRIL 4, 1975  
BA 5196, AUG 1, 1975  
BA 6386, SEPT 23, 1975  
BA 1977, MAR 25, 1975  
BA 3005, MAY 6, 1975  
BA 4441, JULY 7, 1976  
BA 5066, AUG 3, 1976  
BA 5151, AUG 6, 1976  
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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE, BIOGRAPHIC INFORMATION, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** saccheem  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 181868, 76 STATE 177351, 76 STATE 195656, 76 STATE 186129  
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**Subject:** MULTILATERAL TRADE NEGOTIATIONS - COUNTRY PROFILES ON SELECTED PARTICIPANTS - ARGENTINA  
**TAGS:** ETRD, AR, US, MTN  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006